

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 L-03 IGA-02 SSO-00 INRE-00
AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 LAB-04
EPG-02 SIL-01 OMB-01 SS-15 H-01 NSC-05 NSCE-00
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FM AMEMBASSY DACCA

TO SECSTATE WASHDC IMMEDIATE 5259

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PASS AID

E.O. 11652: N/A

TAGS: EINV, EFIN, BG, US, OPIC

SUBJ: BELBAGCO AND COOLEY LOANS

REF: DACCA 3437

1. ECONOFF HAGEN AND AID REGIONAL LEGAL ADVISOR ROBERTSON WERE SUMMONED ON THE MORNING OF JUNE 29 TO THE OFFICE OF A. MOMEN KHAN, SECRETARY, MINISTRY OF CABINET AFFAIRS. ALSO PRESENT AT THE MEETING WERE SECRETARY KHAN, M.S.H. CHISTY (SECRETARY, MINISTRY OF JUTE), ZAINUL ABEDIN (JOINT SECRETARY, MINISTRY OF INDUSTRIES), M. ISLAM (JOINT SECRETARY, MINISTRY OF CABINET AFFAIRS), REPRESENTATIVES OF BANGLADESH SERVICES, AND OTHERS. PRIOR TO THE ARRIVAL OF THE EMBOFFS, THE BDG OFFICIALS HAD BEEN DISCUSSING THE QUESTION OF THE REPAYMENT OF THE OUTSTANDING COOLEY LOANS AND OF COMPENSATION FOR THE TAKEOVER OF BELBAGCO.

COMMENT: THESE DISCUSSIONS WERE APPARENTLY THE OUTGROWTH OF THE AMBASSADOR'S JUNE 23 MEETING WITH
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PRESIDENT ZIA (SEE REFTEL). END COMMENT.

2. SECRETARY KHAN, SPEAKING FOR THE GROUP, EXPLAINED THAT THE DIFFICULTIES THAT BANGLADESH IS EXPERIENCING IN PAYMENT OF THE COOLEY LOANS AND THE BELBAGCO CLAIM HAD KZKE BASES:

A. THE RELATIONSHIP BETWEEN THE BANGLADESH TAKA AND THE PAKISTAN RUPEE. SECRETARY KHAN MAINTAINED THAT THE TAKA IS THE SUCCESSOR CURRENCY TO THE PAKISTAN RUPEE IN BANGLADESH. THAT IS, THE LOANS WERE QUOTE LOCAL CURRENCY LOANS UNQUOTE AND THAT AFTER DECEMBER 16, 1971 (INDEPENDENCE) THE QUOTE LOCAL CURRENCY UNQUOTE EVENTUALLY BECAME THE TAKA. THIS POSITION HAS BEEN USED AS THE BASIS FOR BANGLADESH'S REPAYMENTS OF OTHER INDEPENDENCE ERA DEBTS. ANY DEVIATION FROM THIS CRITERIA WOULD HAVE AN IMPACT ON THE AMOUNT OF PAYMENT FOR THESE OTHER CLAIMS, HE MAINTAINED. SECRETARY KHAN'S POSITION IS THAT THE TAKA/RUPEE EXCHANGE RATE IS PARITY SINCE THE CURRENCIES WERE IDENTICAL AT INDEPENDENCE. COMMENT: THE EMBASSY'S MOST RECENT OFFICIAL CONTACT ON THE REPAYMENT OF THE LOANS IS STATE 087643 WHICH STATES QUOTE WE NOW CONCLUDE THAT APPROPRIATE RATE IS VALUE OF TAKA EQUIVALENT TO PAKISTAN RUPEE AT TIME OF BDG TAKEOVER OF THESE COMPANIES UNQUOTE. WE INTERPRET THIS TO BE ON THE DATE OF PRESIDENTIAL ORDER 16, WHICH WAS EFFECTIVE ON FEBRUARY 26, 1972. (P.O. 16 ANNOUNCED THE TAKEOVER OF ABANDONED, I.E., PAKISTANI, FIRMS SUCH AS PAKISTAN FABRICS AND PAKISTAN SERVICES.) THIS INTERPRETATION WAS SUBSEQUENTLY CONVEYED TO MR. KHAN AND MR. CHISTY. EMBASSY POSSESSES A COPY OF AN APRIL 13, 1977 AID/W MEMO FROM PETER BLOOM TO HERMAN KATZ IN WHICH THE OPINION IS GIVEN THAT LIMITED OFFICIAL USE

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THE EXCHANGE RATE OF TAKA FOR RUPEES OF ONE TO ONE PREVAIL-ED AT THE TIME OF TAKEOVER. THE USG AND BDG POSITIONS APPEAR IDENTICAL. END COMMENT.

B. THE BDG WOULD LIKE TO HAVE THE COOLEY LOAN PAYMENTS RESCHEDULED, BUT WILL CONSIDER LUMP SUM PAYMENT.

C. THE BDG'S EVALUATION OF BELBAGCO INCLUDES ALLOWANCES FOR WAR LOSSES, DIVERSIONS OF SHIPMENTS, AND OTHER ACTS OF GOD (AND MAN) OCCURRING PRIOR TO BDG TAKEOVER. THESE, THE BDG FEELS, ARE LOSSES OCCURRING TO BELBAGCO WHEN IT WAS THE OWNER AND, THEREFORE, ARE NOT THE BDG'S LIABILITY.

3. THE BDG OFFICIALS ANNOUNCED THEIR WILLINGNESS TO TALK OVER THE DIFFERENCES WHICH EXIST BETWEEN THE USG AND THE BDG ON THESE ISSUES. THEY ALSO EXPRESSED A WILLINGNESS TO COMPROMISE ON ANY ITEMS WHICH ARE IN DISPUTE.

4. COMMENT: THE EMBASSY BELIEVES THAT NOW WOULD BE AN APPROPRIATE TIME FOR OPIC TO SEND A REPRESENTATIVE TO DACCA TO NEGOTIATE THE LEVEL OF PAYMENT AND CONDI-

TIONS WHICH MUST BE MET IN ORDER FOR THE BELBAGCO CLAIM TO BE LIGUIDATED. JOINT SECRETARY ABEDIN HAS EXPRESSED A WILLINGNESS TO START NEGOTIATIONS AS SOON AS SUCH A RESPONSIBLE OFFICIAL ARRIVES IN DACCA. HE AND OTHER RELEVANT AUTHORITIES ARE UNDER CONSIDERABLE PRESSURE FROM THE SENIORMOST LEVELS OF THE BDG TO CLEAR UP OPIC'S BELBAGCO CLAIM. END COMMENT.

5. MORE ON COOLEY LOANS. ON JULY 1 SECRETARY KHAN PHONED ECONOFF TO SAY THAT HE (KHAN) HAD TALKED TO PRESIDENT ZIA CONCERNING THE USG'S POSITION ON THE COOLEY LOAN PAYMENTS (SEE PARA 2A). SECRETARY KHAN WAS INSTRUCTED THAT IF THE POSITIONS OF THE TWO GOVERNMENTS ARE AS CLOSE AS THEY APPEAR ON THE QUESTION LIMITED OFFICIAL USE

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OF THE TAKA/RUPEE EXCHANGE RATE AND IF THE USG EXPRESSES ITS VIEWS ON THE QUESTION OF RESCHEDULING, THE BDG WOULD BE WILLING TO MAKE ARRANGEMENTS TO PAY THE OUTSTANDING COOLEY LOANS ON MONDAY (JULY 4).

6. RECOMMENDATION: SUGGEST WE BE INSTRUCTED TO INFORM THE BDG ON JULY 5 OR AS SOON THEREAFTER AS POSSIBLE THAT THE U.S. ACCEPTS PAYMENT IN TAKA AT THE FACE VALUE (IN RUPEES) OF OUTSTANDING COOLEY LOAN AMOUNTS, AND INSIST ON SINGLE LUMP SUM PAYMENTS. MASTERS

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